

Financial Overview

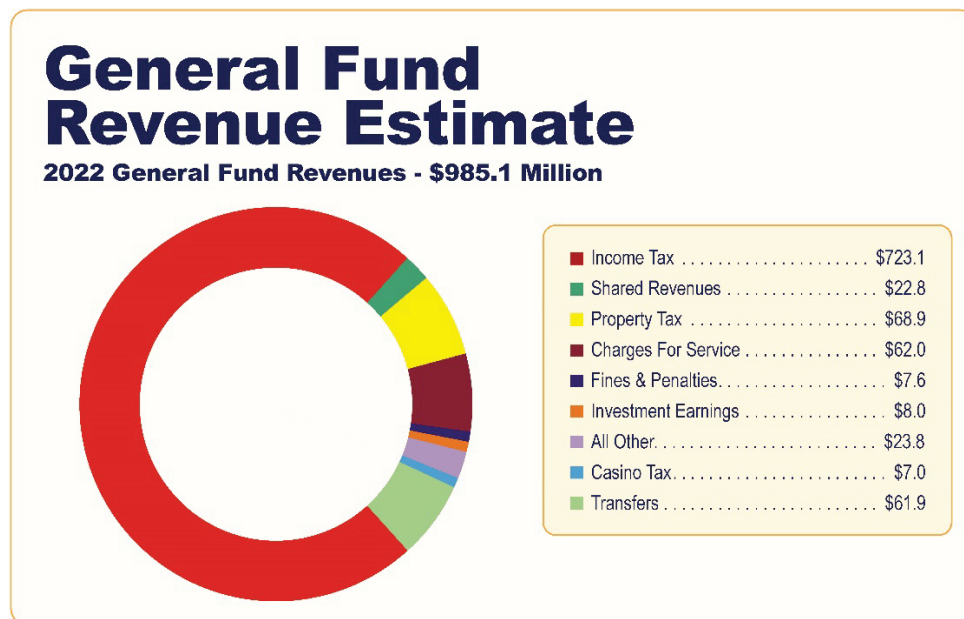
THE CITY OF
COLUMBUS

Revenue

The financial health of the city's general fund is directly tied to the income tax which comprises 73 percent of the revenue (including encumbrance cancellations and transfers) supporting the general fund operating budget. In August 2009, Columbus voters approved a 0.5 percent increase to the income tax rate, raising it to 2.5 percent effective October 1, 2009. Therefore, 2010 was the first full year of collections at the 2.5 percent rate. Three quarters of income tax collections are deposited into the general fund for general government operations, with the balance being set aside for capital and debt service requirements.

The chart below illustrates the projected amount of revenue expected from each major general fund source in 2022. After the income tax, the next two largest revenue sources to the general fund are property taxes at 7 percent and various charges for services at 6 percent.

2022 Projected General Fund Revenue by Source (in millions)



Income tax collections are projected at \$772.0 million in 2021 and \$723.1 million in 2022. The City Auditor's 2022 estimate assumes a decrease of 6.3 percent in income tax receipts from the 2021 estimate due to an increase in employers withholding income taxes for employees working remotely outside of Columbus.

Over the past two decades, budget reductions at the state level have led to incremental reductions of shared revenues to local governments. In 2001, the City of Columbus received \$51 million in local government funds. The 2021 projection for these funds is \$23.2 million, and in 2022 this revenue source is projected to decrease to \$22.8 million. Additionally, the state eliminated the estate tax effective January 1, 2013, and no further receipts will be received.

Property tax receipts fluctuate from year to year, due to reappraisals that occur every three years. In the off years, property tax revenue growth can vary significantly while solid growth is normally expected in the reappraisal years. The 2020 reappraisal will be realized in 2021 when property taxes are projected to be \$60.2 million. Further growth is expected in 2022 with the estimate totaling \$68.9 million, a 14.6 percent increase over the 2021 projection.

Investment earnings are a highly volatile source of revenue and tend to reflect economic conditions. During 2018, the city hired an investment advisor. The benefits of the firm's advice, as well as higher interest rates, had resulted in substantial growth in investment earnings. Unfortunately, interest rates are expected to be quite low for 2021 and 2022. In 2021 and 2022, earnings are projected at \$8.7 million and \$8.0 million, respectively.

Bond Ratings

The city continues to retain the highest bond ratings available for long-term General Obligation debt by all three major rating agencies: Moody's Investors Service, Standard and Poor's Corporation, and Fitch Ratings. Bond ratings of Aaa and AAA, respectively, were awarded to the city in 1995 by Moody's and Standard and Poor's, and have been maintained ever since. Fitch Ratings rated the city for the first time in 2006, also awarding Columbus an AAA rating. Columbus is one of the largest cities in the nation to maintain the highest possible credit rankings for both unlimited and limited general obligation debt from the three major rating agencies. These ratings afford Columbus the opportunity to realize savings in the cost of long-term financing, affirm investor's confidence in investment in Columbus, and help attract new businesses to the area.

Reserve Funds

The City of Columbus currently has three general reserve funds: the economic stabilization fund (i.e., the rainy day fund), the anticipated expenditure fund (formerly known as the 27th pay period fund), and the basic city services fund.

The rainy day fund was created in 1988 with a deposit of \$4 million as a reserve for unforeseen events that could disrupt basic city services. With the ultimate goal of reaching a fund balance of 5 percent of general fund expenditures, annual deposits of \$1 million were made until 1998. In that year, the city received a \$7 million refund from the Ohio Bureau of Workers' Compensation and deposited it into this fund.

The first withdrawal was in 2003, when \$10.2 million was used to balance the general fund budget. An additional \$25 million was used in 2004 for the same purpose. In May of 2004, an unanticipated \$55.1 million from the Solid Waste Authority of Central Ohio (SWACO), in partial satisfaction of lease payments due to the city, was deposited into the rainy day fund. Transfers to the general fund were again made in 2005 (\$13 million) and 2006 (\$12 million). In 2006, the city received nearly \$10 million for pollution credits from SWACO, which were also deposited into the fund. In 2008, \$900,000 was transferred to the general fund in order to end the year in balance. In 2009, \$30.04 million was transferred to the general fund to avoid what would have been drastic reductions to basic city services. Following passage of the 2009 income tax increase, the city made good on its promise to begin to replenish the fund, with a transfer of

\$7.5 million from the general fund in 2010. Deposits of \$10 million in 2011 and \$6.7 million in 2012 helped the fund reach almost \$40 million by year-end 2012. With the 2013 payment of \$16.15 million, the city met its commitment to rebuild the fund to a \$50 million balance a year earlier than originally promised.

In 2013, the city established a goal of \$75 million in the rainy day fund to further ensure that the city is able to withstand future unknown financial events. After deposits of \$7.6 million in 2014, \$2.2 million in 2015 and 2016, \$3.7 million in 2017, and \$1.2 million in 2018, the fund had accumulated \$76.2 million and surpassed the 2018 goal of \$75 million. In 2017, the city set another goal to have a fund balance of \$80 million by the end of 2020. After depositing \$2.75 million during 2019, the city met its goal a year early with a balance of \$80.7 million by the end of 2019.

The city has now set a new goal of a \$90 million fund balance by the end of 2024. After depositing \$3 million into the fund during 2020, \$2 million in 2021 and \$1 million in 2022, the fund will reach \$89.6 million. The planned deposit schedule through 2022 is illustrated in the following chart.

| Economic Stabilization Fund Recommended Future Deposits (000's Omitted) | | | | | |
|--|----------------|---------------------------------|-----------------|-----------------------------|---------------------------|
| Year | Deposit | Investment Earnings* | Expended | Year-End Balance | % of GF Budget |
| 2003 | \$ - | \$ 608 | \$ 10,243 | \$ 18,371 | 3.49% |
| 2004 | 59,406 | 791 | 25,000 | 53,568 | 10.15% |
| 2005 | - | 1,169 | 13,000 | 41,737 | 7.49% |
| 2006 | 9,964 | 2,111 | 12,000 | 41,812 | 7.02% |
| 2007 | 348 | 2,320 | - | 44,480 | 7.04% |
| 2008 | - | - | 900 | 43,580 | 6.68% |
| 2009 | 720 | 739 | 30,039 | 15,000 | 2.43% |
| 2010 | 7,500 | 224 | - | 22,724 | 3.31% |
| 2011 | 10,000 | 173 | - | 32,897 | 4.72% |
| 2012 | 6,725 | 183 | - | 39,805 | 5.47% |
| 2013 | 16,147 | 193 | - | 56,145 | 7.44% |
| 2014 | 7,600 | 330 | - | 64,075 | 8.21% |
| 2015 | 2,200 | 466 | - | 66,741 | 8.37% |
| 2016 | 2,200 | 581 | - | 69,522 | 8.50% |
| 2017 | 3,700 | 724 | - | 73,946 | 8.58% |
| 2018 | 1,200 | 1,034 | - | 76,180 | 8.55% |
| 2019 | 2,750 | 1,725 | - | 80,655 | 8.85% |
| 2020 | 3,000 | 1,503 | - | 85,158 | 9.12% |
| 2021 | 2,000 | 721 | - | 87,879 | 8.31% |
| 2022 | 1,000 | 700 | - | 89,579 | 8.66% |

* In 2008, investment earnings were deposited to the Anticipated Expenditures Fund.

The anticipated expenditure fund was established in 1994 to prepare for those fiscal years in which there are 27 pay dates rather than the standard 26. After the payment of \$17.8 million for the 27th pay date in 2008, the fund had a balance of \$1.23 million. The 2020 payment totaled \$24.5 million, leaving a balance of \$3.3 million in the fund. Annual deposits are made into the fund to ensure that there are sufficient resources for the next occurrence, which is in 2032. After the 2021 and 2022 deposits, the fund will have a balance of \$8.7 million.

| Anticipated Expenditure Fund Recommended Future Deposits (000's Omitted) | | | |
|---|-----------------------|----------------------------------|------------------------------------|
| <u>Year</u> | <u>Deposit</u> | <u>Actual Expense</u> | <u>Year-End Balance</u> |
| 2011 | 2,052 | - | 6,814 |
| 2012 | 2,060 | - | 8,874 |
| 2013 | 2,122 | - | 10,996 |
| 2014 | 2,185 | - | 13,181 |
| 2015 | 2,251 | - | 15,432 |
| 2016 | 2,318 | - | 17,750 |
| 2017 | 2,388 | - | 20,138 |
| 2018 | 2,459 | - | 22,597 |
| 2019 | 2,533 | - | 25,130 |
| 2020 | 2,609 | (24,473) | 3,266 |
| 2021 | 2,687 | - | 5,953 |
| 2022 | 2,768 | - | 8,721 |
| The next occurrence of a year with 27 pay dates will be 2032. Escalating deposits are planned to meet a projected liability of \$35 million in that year. | | | |

An additional reserve fund, the basic city services fund, was created in 2012 to ensure the city was poised to address the reduction of revenue caused by cuts to the local government fund and the elimination of the estate tax. Since its creation, this fund has helped to ensure the continuation of basic city services. The fund began 2021 with a balance of \$74.0 million. In 2021, withdrawals from the fund totaled \$13.2 million, bringing the fund balance to \$60.8 million. In 2022, a transfer of \$50.9 million from the fund will be needed, leaving a balance of \$10 million.

2022 Budget Scenario

The 2022 budget was balanced by employing certain key principles, as follows:

- Build a budget from the ground up which is aligned with the Mayor's strategic priorities and goals.
 - Focus on maintaining essential city services for neighborhoods - police and fire protection, refuse collection, and basic public health services.
 - Review all program areas to identify activities in which the city should no longer be engaged, given limited resources.
 - Review revenue sources to identify new revenues and/or opportunities for increased revenues.
 - Continue reforms and efficiency measures as recommended by the city and affirmed by the accountability committee.
 - Promote efficiencies in government by examining opportunities to redeploy uniformed police and firefighters, expanding energy efficiencies, improving the efficiency of fleet and facilities management, and partnering with various organizations and governmental entities.
-

- Continue diligent review of general fund hires and non-personnel spending to keep expenditures at the lowest level necessary to provide essential services to the citizens of Columbus.
- Continue to monitor the “rainy day” fund to achieve a balance of \$90 million by the end of 2024.

General Fund Pro Forma

A general fund pro forma operating statement is provided herein, which projects the city’s future general fund financial outlook. The pro forma bases year 2022 revenues on the City Auditor’s official Estimate of Available General Fund Resources, except as noted. The following assumptions were used in developing the pro forma.

Pro Forma Operating Statement Assumptions

Like all financial forecasting tools, pro forma projections are based on a series of assumptions that invariably do not prove totally accurate over time. Moreover, projections become less certain the further one extends the forecasting horizon. This pro forma statement assumes that year-end deficits, which are not permissible per state law, will be corrected through expenditure adjustments in order to force a positive year-end fund balance. The document presented herein represents the Finance and Management Department’s best estimate of the city’s financial status into the future, given the following assumptions.

Expenditure Assumptions

- The standard inflation rate for non-personnel items is two percent in 2023 and thereafter.
- Personnel costs (excluding insurance costs) for employees that are covered by current collective bargaining agreements are projected at the wage rates in effect per those contracts. For those units that have contracts that are currently under negotiation, and for the years that follow the expiration date of contracts currently in place, a rate that represents the city’s efforts to control pay increases is used.
- Insurance costs are projected to grow by two percent annually in 2023 and beyond.
- Except as otherwise noted, expenditure projections for 2023 and beyond are premised on maintaining 2022 levels of service.
- No general fund moneys are projected for the purchase of vehicles in 2023 and all years thereafter.

Revenue Assumptions

- Income tax receipts will be \$723.1 million in 2022, will grow by 4.0 percent in 2023 and 2024, and will grow by 3.5 percent in all years thereafter.
 - Property taxes will increase by 14.6 percent in 2022, and grow by 2.0 percent thereafter, except for every third year, during the triennial review, when they will increase by 4.0 percent.
 - Local government fund revenue is projected to decrease by 2.0 percent in 2022 and then increase by 2.0 percent thereafter.
 - Investment earnings will be \$8.0 million in 2022 and are projected to increase by 1.0 percent in all future years.
-

Financial Overview

- Charges for services are expected to decrease by 0.5 percent in 2022, then increase by 1.0 percent thereafter.
- The kilowatt hour tax will be \$3.3 million in 2022 and will grow by 0.5 percent in all future years.
- Fines and penalties will decrease by 40.0 percent in 2022 and will grow by 3.0 percent thereafter.
- Licenses and permit fees will increase by 14.3 percent in 2022 and will grow by 1.0 percent thereafter.
- Casino revenue will total \$7.0 million in 2022 and increase by 2.0 percent in all years thereafter.

Division Specific Assumptions

- Three police recruit classes are funded in the general fund in 2022. Thereafter, recruit classes sufficient to replace retiring uniformed staff are projected.
- Three fire recruit classes are funded in 2022. Thereafter, recruit classes sufficient to replace retiring uniformed staff are projected.
- Projections for the Refuse Collection Division assume that a portion of the recycling program will continue to be funded through the street construction, maintenance, and repair fund.
- The \$16 million budgeted for Refuse equipment in 2022 has been removed from 2023 projections and in all years thereafter.



GENERAL FUND PRO FORMA OPERATING STATEMENT

| Resources: | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|----------------------|----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Beginning Balance | 78,259,958 | 48,937,000 | - | - | - | - | - | - | - | - | - |
| Income Tax | 772,037,000 | 723,071,000 | 751,994,000 | 782,074,000 | 809,447,000 | 837,778,000 | 867,100,000 | 897,449,000 | 928,860,000 | 961,370,000 | 995,018,000 |
| Property Tax | 60,170,000 | 68,923,000 | 70,301,000 | 73,113,000 | 74,575,000 | 76,067,000 | 79,110,000 | 80,692,000 | 82,306,000 | 83,952,000 | 85,631,000 |
| Kilowatt Hour Tax | 3,250,000 | 3,250,000 | 3,266,000 | 3,282,000 | 3,298,000 | 3,314,000 | 3,331,000 | 3,348,000 | 3,365,000 | 3,382,000 | 3,399,000 |
| Shared Revenues | 23,524,000 | 25,087,000 | 25,589,000 | 26,101,000 | 26,623,000 | 27,155,000 | 27,698,000 | 28,252,000 | 28,817,000 | 29,393,000 | 29,981,000 |
| License and Permit Fees | 9,641,000 | 11,016,000 | 11,126,000 | 11,237,000 | 11,349,000 | 11,462,000 | 11,577,000 | 11,693,000 | 11,810,000 | 11,928,000 | 12,047,000 |
| Fines and Penalties | 12,738,000 | 7,663,000 | 7,893,000 | 8,130,000 | 8,374,000 | 8,625,000 | 8,884,000 | 9,151,000 | 9,426,000 | 9,709,000 | 10,000,000 |
| Investment Earnings | 8,675,000 | 8,000,000 | 8,080,000 | 8,161,000 | 8,243,000 | 8,325,000 | 8,408,000 | 8,492,000 | 8,577,000 | 8,663,000 | 8,750,000 |
| Charges for Service | 62,299,000 | 61,962,000 | 62,582,000 | 63,208,000 | 63,840,000 | 64,478,000 | 65,123,000 | 65,774,000 | 66,432,000 | 67,096,000 | 67,767,000 |
| All Other Revenue | 15,671,000 | 12,215,000 | 12,215,000 | 12,215,000 | 12,215,000 | 12,215,000 | 12,215,000 | 12,215,000 | 12,215,000 | 12,215,000 | 12,215,000 |
| Basic City Services - Transfer In | 4,000,000 | 56,876,000 | - | - | - | - | - | - | - | - | - |
| Casino Revenue | 7,021,000 | 7,000,000 | 7,140,000 | 7,282,800 | 7,428,456 | 7,577,025 | 7,728,566 | 7,883,137 | 8,040,800 | 8,201,616 | 8,365,648 |
| Total Revenues | 979,026,000 | 985,063,000 | 960,186,000 | 994,803,800 | 1,025,392,456 | 1,056,996,025 | 1,091,174,566 | 1,124,949,137 | 1,159,848,800 | 1,195,909,616 | 1,233,173,648 |
| Total Available Resources | 1,057,285,958 | 1,034,000,000 | 960,186,000 | 994,803,800 | 1,025,392,456 | 1,056,996,025 | 1,091,174,566 | 1,124,949,137 | 1,159,848,800 | 1,195,909,616 | 1,233,173,648 |
| % Change in Revenues from Prior Yr. | 0.78% | 0.62% | -2.53% | 3.61% | 3.07% | 3.08% | 3.23% | 3.10% | 3.10% | 3.11% | 3.12% |
| % Change in Resources from Prior Yr. | 4.45% | -2.20% | -7.14% | 3.61% | 3.07% | 3.08% | 3.23% | 3.10% | 3.10% | 3.11% | 3.12% |
| Expenditures: | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| Development | 46,695,689 | 30,654,620 | 31,585,009 | 32,360,554 | 33,155,926 | 33,971,650 | 34,808,266 | 35,666,330 | 36,546,413 | 37,449,100 | 38,374,993 |
| Fire | 275,688,274 | 273,461,932 | 281,188,669 | 289,137,666 | 297,315,399 | 305,728,537 | 314,383,942 | 323,288,680 | 332,450,025 | 341,875,464 | 351,572,705 |
| Governmental Services | 138,796,036 | 178,540,675 | 166,288,593 | 169,368,931 | 172,781,029 | 175,979,812 | 179,411,564 | 183,081,517 | 186,545,020 | 190,248,549 | 194,197,528 |
| Health | 29,963,189 | 30,803,453 | 32,224,791 | 33,072,181 | 33,942,607 | 34,836,710 | 35,755,153 | 36,698,615 | 37,667,798 | 38,663,421 | 39,686,225 |
| Judicial Services | 33,499,042 | 34,433,002 | 36,255,177 | 37,240,270 | 38,252,864 | 39,293,744 | 40,363,716 | 41,463,610 | 42,594,281 | 43,756,607 | 44,951,494 |
| Other Safety | 27,757,929 | 34,839,974 | 36,308,197 | 37,251,553 | 38,220,292 | 39,215,117 | 40,236,751 | 41,285,938 | 42,363,442 | 43,470,049 | 44,606,569 |
| Police | 380,761,721 | 354,194,577 | 364,174,665 | 374,441,242 | 385,002,642 | 395,867,448 | 407,044,492 | 418,542,868 | 430,371,936 | 442,541,332 | 455,060,975 |
| Recreation and Parks | 40,042,730 | 45,173,881 | 47,010,264 | 48,238,322 | 49,499,578 | 50,794,953 | 52,125,398 | 53,491,887 | 54,895,426 | 56,337,047 | 57,817,811 |
| Refuse Collection | 32,404,437 | 50,157,111 | 36,140,559 | 37,003,745 | 37,888,407 | 38,795,099 | 39,724,394 | 40,676,875 | 41,653,146 | 42,653,825 | 43,679,546 |
| Public Service | 740,343 | 740,775 | 788,626 | 811,100 | 834,224 | 858,018 | 882,502 | 907,694 | 933,617 | 960,291 | 987,739 |
| Fleet-Vehicles | - | - | - | - | - | - | - | - | - | - | - |
| Operating Expenditures | 1,006,349,390 | 1,033,000,000 | 1,031,964,549 | 1,058,925,565 | 1,086,892,968 | 1,115,341,088 | 1,144,736,176 | 1,175,104,015 | 1,206,021,104 | 1,237,955,685 | 1,270,935,583 |
| % Change/Previous Year | 15.38% | 2.65% | -0.10% | 2.61% | 2.64% | 2.62% | 2.64% | 2.65% | 2.63% | 2.65% | 2.66% |
| Economic Stabilization Fund Deposit | 2,000,000 | 1,000,000 | - | - | - | - | - | - | - | - | - |
| Basic City Services Fund Deposit | - | - | - | - | - | - | - | - | - | - | - |
| Required Expenditure Reductions and/or Revenue Increases | \$ 48,937,000 | \$ - | \$ (71,778,549) | \$ (64,121,765) | \$ (61,500,512) | \$ (58,345,063) | \$ (53,561,611) | \$ (50,154,878) | \$ (46,172,304) | \$ (42,046,069) | \$ (37,761,935) |

Footnotes:

Revenue estimates for 2022 and beyond are those of the Department of Finance & Management, and not the City Auditor.

Cumulative deficits are not possible since each budget year must be balanced. Balancing will be achieved through increased revenues, lowered expenditures, or a combination thereof.

Financial Overview

This page has been intentionally left blank.